

06 June 2018

## THE BIG PICTURE

### New Italian PM alarms the markets

- The new Italian Prime Minister, Mr. Conte delivered his first speech in the Italian Senate yesterday, alarming the markets and passing a confidence vote. Mr. Conte promised a minimum “citizen’s income”, as well as curbs on immigration and a “radical change”. The speech caused a sell off for Italian bonds causing the EUR to rise. Should the new government go ahead with its plans, it may clash with Brussels as the Italian economy remains in a fragile position. Should the new government pass the confidence vote in the Lower house today, the new government will be fully empowered. If there are further negative headlines about Italy and the Eurozone, we could see the common currency weakening as instability rises.
- EUR/USD got a boost from the Italian bond sell off yesterday and broke the 1.1715 (S1) resistance line, now turned to support. We could see the pair trading in a sideways manner with some bullish tendencies as the US financial releases today could weaken the USD side. Should the pair find fresh buying orders along its path, we could see it reaching out for the 1.1820 (R1) resistance level. Should the pair come under selling interest we could see the pair breaking the 1.1715 (S1) support line and aim for the 1.1640 (S2) support barrier.

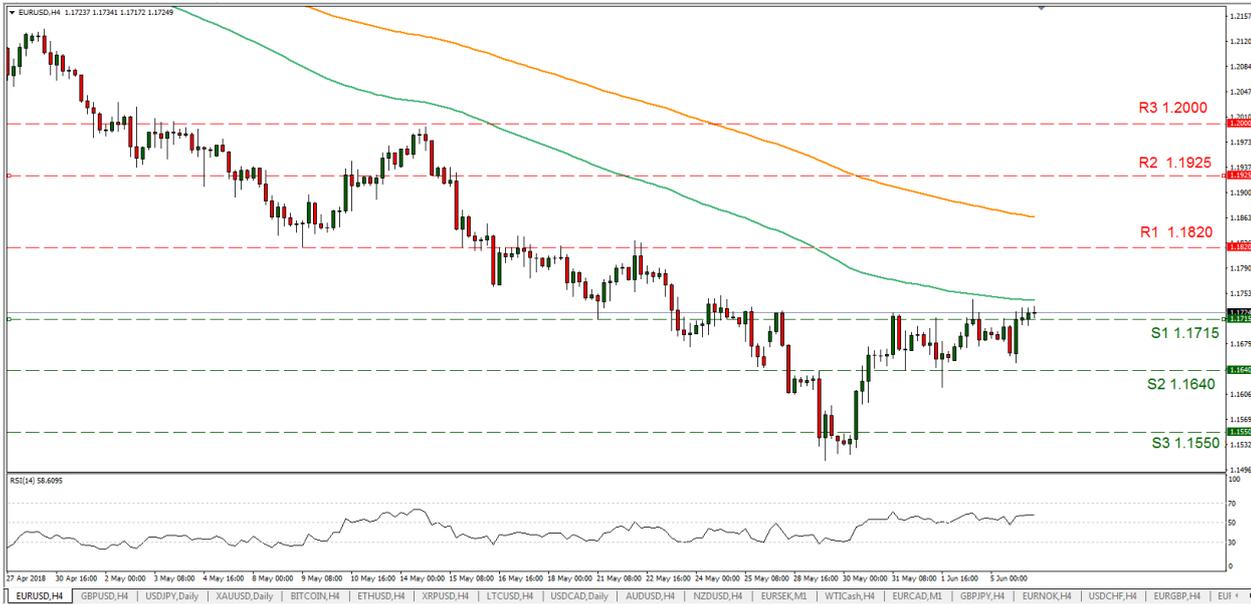
### UK’s Labour Party favors single market with EU

- Media reports stated that UK’s Labour party leader Corbyn, placed an amendment to Theresa May’s Brexit legislation. The amendment would force the UK government to practically pursue in the Brexit negotiations for the UK to remain in the single market with the EU. The amendment is to be voted on, probably next week and will require votes from the conservative party to pass. Should there be any further instability in the UK political scene about Brexit we could see the pound weakening.
- Cable got a boost yesterday, breaking the 1.3330 (S1) resistance level, (now turned to support), as the UK services PMI reading was better than expected. We could see the pair trading in a sideways manner with some bullish tendencies today. Should the bulls take over clearly, we could see the pair breaking the 1.3425 (R1) resistance line and aim for the 1.3500 (R2) resistance hurdle. Should the bears take the reins we could see the pair reaching or even breaking the 1.3330 (S1) support line.

### In today’s other economic highlights:

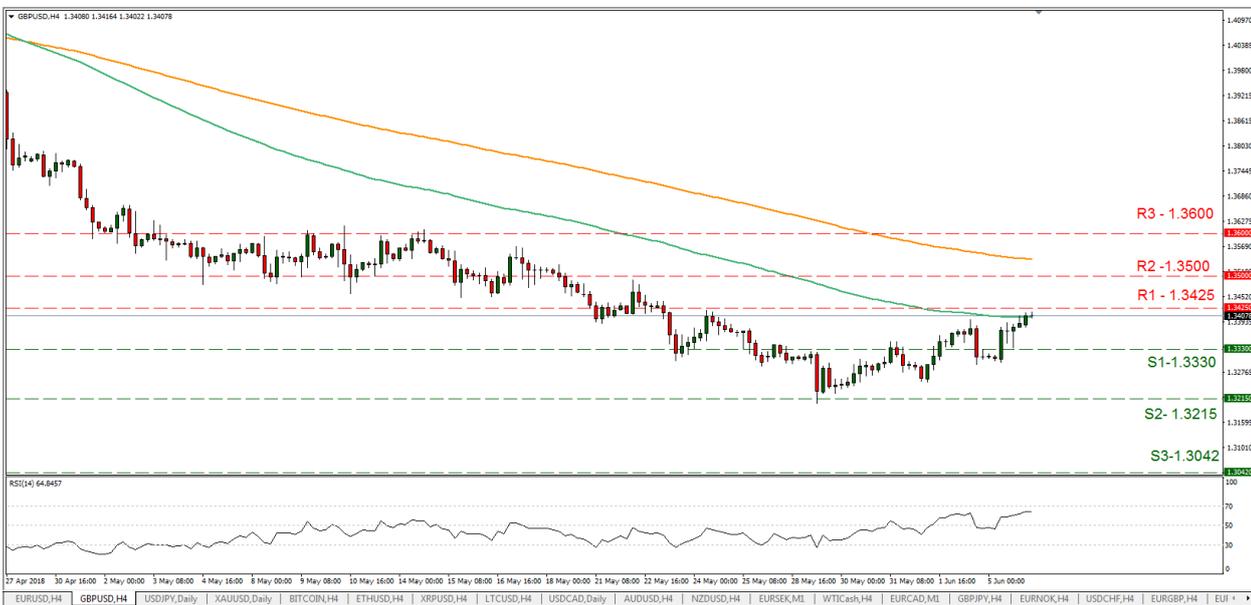
- In the American session, we get from the US the trade balance deficit figure for April as well as EIA weekly crude oil inventories figure. From Canada, we get building permits growth rate for April, the trade balance deficit figure for April and the Ivey PMI indicator for May. As for speakers, ECB’s Peter Praet and BoE’s Ian Mc Cafferty speak.

**EUR/USD**



- Support: 1.1715(S1), 1.1640(S2), 1.1550(S3)
- Resistance: 1.1820(R1), 1.1925(R2), 1.2000(R3)

**GBP/USD**



- Support: 1.3330(S1), 1.3215(S2), 1.3042(S3)
- Resistance: 1.3425(R1), 1.3500(R2), 1.3600(R3)

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